

Fiscal TOPICS

Published November 2016



Flood Mitigation Program and Sales Tax Funding

History and Purpose

The Iowa General Assembly created the [Flood Mitigation Program](#) in 2012. The Program provides a funding source to finance flood mitigation projects undertaken by approved local governments. The primary funding source established is a diversion of state sales tax revenue from the State General Fund to the approved local governments. The [Iowa Flood Mitigation Board](#) manages the Program.

The Iowa Department of Revenue provides assistance in determining the amount of funding available to each of the approved local governments. The amount of funding available each quarter is determined by comparing the retail sales within a specific geographic area¹ in a given quarter to the amount of retail sales in that same area for that same quarter in a base year. The calculated state sales tax from the retail sales growth is available to the local governments for flood mitigation finance. Local governments are permitted to issue bonds that will be repaid with the sales tax revenue made available under the Program.

The Board is allowed to approve sales tax funding for local government projects that totals no more than \$30.0 million per year. A local government is allowed to receive sales tax revenue for flood mitigation for up to 20 years after the local government's project was approved by the Board.² No local government is allowed to receive more than \$15.0 million in sales tax revenue under the Program in any one fiscal year. The first quarterly sales from which sales tax revenue growth could be calculated and transferred for the Program was the third quarter of FY 2014.

Table 1				
Flood Mitigation Funding Summary				
In Millions				
Local Government	Approved Sales Tax Funding, in Millions	Sales Tax Funding Time Frame	Total Funds, All Sources	Reported Debt
Burlington	\$ 26.2	2016-2033	\$ 64.2	\$ 0.0
Cedar Falls	6.6	2014-2018	13.3	0.0
Cedar Rapids	269.4	2014-2033	576.1	0.0
Coralville	9.8	2014-2034	23.5	0.0
Council Bluffs	57.0	2015-2034	114.0	0.0
Des Moines *	111.1	2016-2035	308.6	0.0
Dubuque	98.5	2014-2033	200.9	28.8
Iowa City	8.5	2014-2021	63.4	6.0
Storm Lake	4.1	2015-2033	8.2	1.1
Waverly	5.6	2014-2025	11.3	9.1
	\$ 596.8		\$ 1,383.5	\$ 45.0

* City of Des Moines and Metropolitan Wastewater Reclamation Authority

¹ For nine cities, the geographic area for the increment calculation is the entire city. For the Des Moines/Metro Wastewater Reclamation Authority, the geographic area encompasses Des Moines and many surrounding cities.

² Division VI of [HF 2459](#) (FY 2017 Standing Appropriations Act) granted the Board authority to extend the 20-year funding limit under specified circumstances.

More Information

Iowa Flood Mitigation Board: http://homelandsecurity.iowa.gov/about_HSEMD/flood_mitigation_board.html

Iowa General Assembly: <https://www.legis.iowa.gov/>

LSA Staff Contacts: Jeff Robinson (515-281-4614) jeff.robinson@legis.iowa.gov

Flood Mitigation Program and Sales Tax Funding

The Board has approved a total of \$596.8 million in sales tax funding for the projects of 10 approved local governments. The funding schedule runs from FY 2014 through FY 2035. The total sales tax funding approved, sales tax time frame, total funds from all sources,³ and related indebtedness are provided in **Table 1**. **Table 1** reflects reports filed by the approved local governments through September 30, 2016.

The related indebtedness column includes debt issued that is to be repaid with diverted sales tax revenue. Iowa Code section [418.14](#) authorizes the issuance of bonds that are to be repaid in whole or in part with the sales tax revenue authorized under the Program.

Current Budget Impact

Sales tax funding of the Flood Mitigation Program negatively impacts the State General Fund revenue stream through periodic transfers out of the State General Fund to the Sales Tax Increment Fund. The transfers to the Sales Tax Increment Fund decrease, dollar-for-dollar, State General Fund revenue for the year.

Iowa Code section [418.12](#)(4) dictates that all of the sales tax growth within an area is to be transferred to the Sales Tax Increment Fund during the course of a fiscal year. Distributions to a specific approved local government are limited to no more than 70.0% of that local government's sales tax growth for the fiscal year, or \$15.0 million, whichever is less. Iowa Code section [418.12](#)(5) directs the Department of Revenue, at the end of each fiscal year, to transfer any sales tax revenue in excess of \$30.0 million from the Sales Tax Increment Fund to the State General Fund.

The first quarter eligible for increment calculations was the third quarter of FY 2014. For FY 2014 through the end of FY 2016, a total of \$49.8 million has been transferred from the State General Fund to the Sales Tax Increment Fund. This amount equals the full allowed increment for all approved cities from the third quarter of FY 2014 through the end of FY 2016. Of the \$49.8 million, a total of \$46.8 million has been remitted to the 10 approved local governments, leaving a balance in the Sales Tax Increment Fund of \$3.1 million, as provided in **Table 2**.

	FY 2014	FY 2015	FY 2016	Total
Beginning Balance	\$ 0	\$ 154,611	\$ 12,148,548	\$ 0
Sales Tax Revenue	\$ 2,185,642	\$ 26,738,512	\$ 20,899,482	\$ 49,823,636
Distributions:				
Burlington	\$ 0	\$ 0	\$ 275,873	\$ 275,873
Cedar Falls	0	451,401	1,876,183	2,327,584
Cedar Rapids	1,556,798	8,206,381	8,169,718	17,932,897
Coralville	0	1,046,201	1,926,102	2,972,303
Council Bluffs	0	1,484,181	1,695,000	3,179,181
Des Moines	0	0	11,992,859	11,992,859
Dubuque	332,469	2,718,293	2,782,187	5,832,949
Iowa City	84,474	519,914	924,753	1,529,141
Storm Lake	22,579	57,421	80,000	160,000
Waverly	34,711	260,783	274,434	569,928
Total	\$ 2,031,031	\$ 14,744,575	\$ 29,997,109	\$ 46,772,715
Ending Balance	\$ 154,611	\$ 12,148,548	\$ 3,050,921	\$ 3,050,921

Annual reports from the Flood Mitigation Board, local government applications for approval, and semi-annual progress reports from the approved local governments are available from the [Iowa Flood Mitigation Board](#).

³ Total funds from all sources is a budgeted amount and includes the diverted sales tax revenue, other state funds, federal funds, and funds from local sources.